

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into effective June 24, 2014 by and between National Mentor Healthcare, LLC d/b/a North Carolina Mentor ("NC Mentor") and Smoky Mountain Center Local Management Entity/Managed Care Organization ("SMC"). The foregoing parties are at times referred to herein collectively as ("Parties") and individually as a ("Party").

WITNESSETH:

WHEREAS, SMC is a Local Management Entity/ Managed Care Organization as that term is defined at N.C.G.S. 122C-3(20c), and manages publicly-funded mental health, intellectual/ developmental disability and substance abuse services for consumers enrolled in the following twenty-three (23) counties: Alexander, Alleghany, Ashe, Avery, Buncombe, Caldwell, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Watauga, Wilkes and Yancey Counties ("SMC's Catchment Area"); and

WHEREAS, NC Mentor is a provider of mental health and behavioral health services and is providing certain services to recipients of publicly-funded services in SMC's Catchment Area; and

WHEREAS, SMC issued a Notification to NC Mentor on April 3, 2014 notifying NC Mentor that SMC would no longer contract with NC Mentor for the delivery of Intensive In-Home Services from certain sites effective July 1, 2014; and

WHEREAS, on April 14, 2014, NC Mentor challenged the basis for this decision and filed a Petition for Contested Case Hearing against SMC (14 DHR 02637); and

WHEREAS, SMC issued a Notice of Overpayment dated May 2, 2014 notifying NC Mentor of SMC's tentative determination that NC Mentor had received Medicaid and State-funded overpayments in the total amount of \$501,725.31; and

WHEREAS, SMC issued a Notice of Overpayment dated May 28, 2014 notifying NC Mentor of SMC's tentative determination that NC Mentor had received Medicaid and State-funded overpayments in the total amount of \$1,641,624.08; and

WHEREAS, NC Mentor timely filed a Request for Reconsideration concerning the May 2, 2014 Notice of Overpayment and communicated to SMC that it also intended to request reconsideration regarding the May 28, 2014 Notice of Overpayment; and

WHEREAS, the Parties desire to compromise and settle any and all existing, threatened and potential disputes, claims, or rights between them; and

WHEREAS, the Parties have reached a compromise settlement resolving the differences between them on the disputes and potential disputes described herein, the terms and conditions of which are set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants hereinafter set forth, for agreed upon consideration, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties, for themselves and their predecessors, successors, managers, assigns, officers, directors, employees, and agents, agree as follows:

1. The settlement effected by this Agreement is a compromise of disputed claims, made to avoid the uncertainty and expense of litigation. The promises and terms agreed to herein are not to be construed as an admission of any alleged liability, nonconformity, error, or other deficiency on the part of any Party. Any such alleged liability, nonconformity, error, or other deficiency is expressly denied by the respective Parties.

2. For purposes of this Agreement, the Notice of Overpayment of May 2, 2014, the Notice of Overpayment of May 28, 2014, and the Notification of Medicaid Contract Amendment and Nonrenewal of State-Funded Contract dated April 3, 2014 shall collectively be referred to as the "SMC Notices."

3. NC Mentor will voluntarily withdraw from participation in providing Medicaid and State-funded behavioral health services in SMC's Catchment Area and SMC acknowledges that NC Mentor's withdrawal is voluntary. NC Mentor will send a Letter of Voluntary Withdrawal, memorializing NC Mentor's voluntary withdrawal. SMC will make this Letter of Voluntary Withdrawal available to any interested party upon request. NC Mentor may continue to provide Medicaid and State-funded behavioral health services to consumers who are enrolled in SMC's network but currently reside outside SMC's Catchment Area.

4. NC Mentor will dismiss with prejudice its Petition for Contested Case Hearing against SMC within three (3) business days of the complete execution of this Agreement.

5. SMC will act in good faith towards NC Mentor and in accordance with applicable federal and state laws, rules and regulations with regard to any future procurement or provider network decisions in the event that SMC's network is expanded beyond the existing Catchment Area. With regard to any future procurement or provider network decisions in the event that SMC's network expands beyond the existing Catchment Area, NC Mentor shall be treated the same as any other provider that is in good standing with the LME/MCO that managed the area before the expansion. NC Mentor's voluntary withdrawal of participation in providing Medicaid and state-funded behavioral health services in SMC's Catchment Area and the issuance of the SMC Notices and the facts alleged in the SMC Notices shall have no bearing on NC Mentor's status as a provider and the decisions made by SMC regarding NC Mentor's status as a provider in SMC's expanded catchment area.

6. Both Parties will coordinate with one another to ensure a safe and orderly transition of consumers to other providers in the SMC network, with a goal of accomplishing this transition within 60 days of the effective date of this Agreement. The Parties will execute an Amendment to the current Medicaid contract between NC Mentor and SMC extending the effective date through August 30, 2014. If certain services currently provided by NC Mentor, such as Therapeutic Foster Care and Community Alternatives Program services, necessitate a longer time period for the transfer of consumers, the Parties will work together in good faith to

accomplish such transition as soon as reasonably possible, and will execute any Amendments necessary to effectuate such transition.

7. NC Mentor will continue to comply with all state and federal records retention requirements in connection with services provided by NC Mentor to consumers within SMC's Catchment Area.

8. NC Mentor agrees to pay SMC the sum of Three Hundred and Seventy-Five Thousand Dollars (\$375,000.00) in full compromise and settlement of the SMC Notices. Petitioner owes no penalty or interest as long as it pays the agreed upon amount in accordance with the terms of this Agreement. Full and final payment in the amount of Three Hundred and Seventy-Five Thousand Dollars (\$375,000.00) must be received by SMC within seven (7) business days of the complete execution of this Agreement. Payment shall be made via wire transfer or in the form of a certified check or cashier's check payable to Smoky Mountain Center and delivered to the following address: 356 Biltmore Avenue Asheville, North Carolina 28801.

9. SMC agrees to accept payment of Three Hundred and Seventy-Five Thousand Dollars (\$375,000.00) in full compromise and settlement of the SMC Notices.

10. SMC acknowledges that the alleged overpayments that were at issue are not based upon allegations by SMC that NC Mentor engaged in fraud, willful misrepresentation, the filing of a false claim, or other illegal conduct.

11. The issuance of the SMC Notices, the facts alleged in the SMC Notices, the underlying audits and investigations, the Letter of Voluntary Withdrawal, this Agreement, and the amount paid by NC Mentor as part of this settlement will not be considered by SMC as having any effect on NC Mentor's good standing with SMC, so long as NC Mentor has complied or is complying with the provisions of this Agreement. If the Centers for Medicare & Medicaid Services ("CMS"), NC Department of Health and Human Services ("DHHS"), its Division of Medical Assistance ("DMA"), any other LME/MCO operating in North Carolina or any State Medicaid agency or Medicaid managed care organization in any state outside of North Carolina inquires of SMC whether NC Mentor was in good standing with SMC at all times that NC Mentor operated as part of SMC's network, SMC shall respond that NC Mentor was in good standing with SMC. For the purposes of any future enrollment, reenrollment, participation, credentialing, or re-credentialing applications submitted by NC Mentor to DHHS, DMA, or any LME/MCO in North Carolina, the SMC Notices, the Letter of Voluntary Withdrawal, and this Agreement and the amount paid by NC Mentor as part of this settlement will not be reflected as an amount owed to SMC that has not been paid in full, or a violation of federal or state laws, rules or regulations governing North Carolina's Medicaid Program, so long as NC Mentor has complied or is complying with the provisions of this Agreement.

12. The Parties agree that nothing in this Agreement should be construed to preclude NC Mentor from responding to future requests for services in SMC's Catchment Area, including requests by SMC directly and requests by other providers within the SMC network for subcontracted services.

13. SMC will not conduct any further audits or investigations of NC Mentor, unless required to do so under the terms of SMC's contract with DMA in response to a credible

allegation of fraud, waste, or abuse that is new and distinct from the facts alleged in any previous audits, investigations, or complaints.

14. The Parties will agree on the contents of a joint communication regarding NC Mentor's voluntary withdrawal from participation in the SMC network of providers that will be communicated by way of a Provider Bulletin article or another similar written communication.

15. Each Party agrees that it will not disclose the terms of this Agreement to anyone (except to its attorneys, accountants, employees who need to know the terms of this Agreement in order to carry out their job responsibilities, corporate affiliates, parents, and subsidiaries, all of whom agree to abide by the disclosure restrictions set forth in this paragraph), except in response to a request from CMS or DHHS or a request made under the NC Public Records law.

16. The Parties represent and agree that they will not disparage or defame the other Party, or any person associated with the other Party, or make any public statements that may be considered detrimental to the good name or business representation of the other Party.

17. All attorney's fees, costs, or expenses related to all cases and disputes described herein shall be borne by each Party individually, and no claim for such fees, costs or expenses shall be made.

18. Each Party hereby releases the other, its current and former officials, employees, agents, and representatives, from any and all liability and causes of action that have arisen or may arise out of the SMC Notices and 14 DHR 02637.

19. This Agreement constitutes the entire understanding and agreement between the Parties with respect to the subject matter hereof, and there are no promises, understandings, or representations other than those set forth herein. This Agreement supersedes any and all other prior agreements and drafts regarding the subject matter hereof. This Agreement may not be amended or modified except by a writing signed by both of the Parties or their duly authorized representatives.

20. This Agreement shall be construed and governed according to the laws of the State of North Carolina. If any provisions of this Agreement are held to be invalid or unenforceable, all other provisions shall nevertheless continue in full force and effect.

21. Each Party acknowledges that it has carefully read this Agreement, knows the contents thereof, and executes the Agreement voluntarily as its own free act. Each Party further acknowledges that it has conferred to the extent that it has deemed appropriate with legal counsel regarding this Agreement prior to its execution.

22. This Settlement Agreement may be executed in counterparts, each of which shall be an original, all of which taken together shall constitute one and the same instrument. The Parties may exchange signatures on this Settlement Agreement by facsimile or email which shall be acceptable and deemed binding as if originals.

23. The undersigned represent and warrant that they are authorized to enter into this Agreement on behalf of the Parties.

24. This Agreement is binding on the Parties' predecessors, successors, managers, assigns, officers, directors, employees, and agents.

25. This Agreement shall be effective upon the occurrence of the complete execution of this Agreement.

THIS SETTLEMENT AGREEMENT agreed and executed by the Parties hereto:

NATIONAL MENTOR HEALTHCARE, LLC
d/b/a NORTH CAROLINA MENTOR

By: Robert Melia (SEAL) Date: 6/25/14
Robert Melia
Operating Group President

SMOKY MOUNTAIN CENTER LOCAL MANAGEMENT
ENTITY/MANAGED CARE ORGANIZATION

By: _____ (SEAL) Date: _____
Brian Ingraham
CEO

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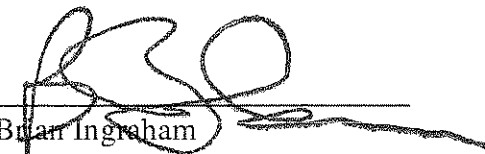
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NATIONAL MENTOR HEALTHCARE, LLC
d/b/a NORTH CAROLINA MENTOR

By: _____
Robert Melia
Operating Group President

(SEAL) Date: _____

SMOKY MOUNTAIN CENTER LOCAL MANAGEMENT
ENTITY/MANAGED CARE ORGANIZATION

By:  _____
Brian Ingraham
CEO

(SEAL) Date: 6/25/14